

AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

STANNARD TOWNSHIP  
ONTONAGON COUNTY, MI

March 31, 2004

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Stannard Township</b>	County <b>Ontonagon</b>
Audit Date <b>3/31/2004</b>	Opinion Date <b>10/6/2004</b>	Date Accountant Report Submitted to State: <b>10/22/2004</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ yes ☐ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASL GU).			x

Certified Public Accountant (Firm Name) <b>Roger J. Kolehmainen CPA PC</b>			
Street Address <b>1445 East Cloverland Drive</b>	City <b>Ironwood,</b>	State <b>MI</b>	ZIP <b>49938</b>
Accountant Signature 			

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**Roger J. Kolehmainen CPA PC**

1445 East Cloverland Drive

Ironwood, MI 49938

**INDEPENDENT AUDITOR'S REPORT**

Supervisor and Members of the Board

Stannard Township

Bruce Crossing, Michigan

We have audited the accompanying general purpose financial statements of Stannard Township and its combining and individual fund financial statements as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.

The Township has not maintained a record of its general fixed assets, and accordingly, a statement of general fixed assets, required by generally accepted accounting principles, is not included in the financial report.

In our opinion, except for the statement of general fixed assets not being included, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Stannard Township as of March 31, 2004, and the results of its operations and its cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 6, 2004, on our consideration of Stannard Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Stannard Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

  
Roger J. Kolehmainen PC  
Certified Public Accountant

Ironwood, Michigan  
October 6, 2004

GENERAL  
PURPOSE  
FINANCIAL  
STATEMENTS

STANNARD  
COMBINED BALANCE SHEET  
March 31,

	<u>Government Fund Types</u>		<u>Proprietary Fund Type</u>
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$101,530	\$22,469	\$60,302
Investments			
Accounts receivable-net -	2,202		18,586
Delinquent taxes receivable	4,344		
Due from other funds	44,042	958	3,705
Prepaid expenses	5,644		123
Total Current Assets	\$157,762	\$23,427	\$82,716
Fixed Assets:			
Land			2,000
Plant & lines			429,791
Equipment			11,055
Accumulated depreciation			(329,217)
Other Assets:			
Restricted cash			20,000
Accrued interest income	179	68	74
<b>TOTAL ASSETS</b>	<b>\$157,941</b>	<b>\$23,495</b>	<b>\$216,419</b>
<b>LIABILITIES AND MUNICIPAL EQUITY</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$11,644	\$	\$8,414
Accrued interest payable			400
Accrued wages/taxes	3,599		1,176
Due to other funds	709		29,095
Current portion of long term debt			8,000
Total Current Liabilities	\$15,952	\$	\$47,085
Other Liabilities:			
Bonds Payable			\$32,000
Less current portion of long term debt			(8,000)
<b>EQUITY:</b>			
Contributed Capital			47,102
Net assets held in trust for pension benefits			
Retained Earnings:			
Unreserved			98,232
Fund Balances:			
Undesignated	123,747	23,495	
Designated	18,242		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$157,941</b>	<b>\$23,495</b>	<b>\$216,419</b>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP  
ALL FUNDS TYPES  
2004

**Fiduciary Fund Types**

<b><u>Trust Funds</u></b>	<b><u>Pension Plan</u></b>	<b><u>Totals</u></b> <b><u>(Memorandum Only)</u></b>
\$56,801		\$241,102
	\$16,153	16,153
		20,788
		4,344
		48,705
		5,767
<hr/> \$56,801	<hr/> \$16,153	<hr/> \$336,859
		2,000
		429,791
		11,055
		(329,217)
		20,000
		321
<hr/> \$56,801	<hr/> \$16,153	<hr/> \$470,809
\$37,900		\$57,958
		400
		4,775
18,901		48,705
		8,000
<hr/> \$56,801	<hr/> \$	<hr/> \$119,838
		\$32,000
		(8,000)
		47,102
	\$16,153	16,153
		98,232
		147,242
		18,242
<hr/> \$56,801	<hr/> \$16,153	<hr/> \$470,809



STANNARD TOWNSHIP  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENT FUND TYPES  
Year Ended MARCH 31, 2004

	Government Fund Types		
	General Fund	Special Revenue	Totals (Memorandum Only)
<b>=====REVENUES=====</b>			
Taxes	\$13,987	\$	\$13,987
Other taxes	925		925
Tax administrative fees	8,254		8,254
Licenses and permits		9,193	9,193
Rentals	4,650		4,650
State/Federal shared revenues	74,909	1,825	76,734
Interest	1,130	645	1,775
Sales of lots	100		100
Other revenue	3,648		3,648
<b>TOTAL REVENUES</b>	<b>\$107,603</b>	<b>\$11,663</b>	<b>\$119,266</b>
<b>=====EXPENDITURES=====</b>			
Legislative	\$17,194	\$	\$17,194
General government	44,835		44,835
Public safety	16,029	10,850	26,879
Public works	13,522		13,522
Parks and recreation	5,499		5,499
<b>TOTAL EXPENDITURES</b>	<b>\$97,079</b>	<b>\$10,850</b>	<b>\$107,929</b>
<b>EXCESS OF REVENUES (EXPENDITURES)</b>	<b>\$10,524</b>	<b>\$813</b>	<b>\$11,337</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer from other funds	\$24,430	\$1,221	\$25,651
Transfers to other funds	(1,221)	(24,430)	(25,651)
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXP AND OTHER FINANCING USE</b>	<b>\$33,733</b>	<b>(\$22,396)</b>	<b>\$11,337</b>
Fund balance at 3/31/2003	108,256	45,891	154,147
<b>FUND BALANCE 3/31/2004</b>	<b>\$141,989</b>	<b>\$23,495</b>	<b>\$165,484</b>

The accompanying notes are an integral part of the financial statements.

STANNARD  
STATEMENT OF  
AND CHANGES IN FUND BALANCE

ALL GOVERNMENTAL  
Year ended

<u>General Fund</u>			
			Variance Favorable (Unfavorable)
<b>==REVENUES==</b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	
Taxes	\$10,627	\$13,987	\$3,360
Other taxes	4,030	925	(3,105)
Tax administrative fees	7,430	8,254	824
Licenses and permits			
Rentals	2,767	4,650	1,883
State/Federal shared revenues	75,018	74,909	(109)
Other revenue	5,623	3,648	(1,975)
Interest	1,676	1,130	(546)
Sales of lots	900	100	(800)
<b>Total Revenues</b>	<b>\$108,071</b>	<b>\$107,603</b>	<b>(\$468)</b>
<b>==EXPENDITURES==</b>			
Legislative	\$24,623	\$17,194	\$7,429
General government	44,516	44,835	(319)
Public safety	16,400	16,029	371
Public works	26,750	13,522	13,228
Parks and recreation	12,900	5,499	7,401
Other			
Debt service			
<b>Total Expenditures</b>	<b>\$125,189</b>	<b>\$97,079</b>	<b>\$28,110</b>
EXCESS OF REVENUES (EXPENDITURES)	(\$17,118)	\$10,524	\$27,642
OTHER FINANCING SOURCES (USES)			
Transfers to/from other funds	\$	\$23,209	\$23,209
EXCESS OF REVENUES (EXPENDITURES) AND OTHER FINANCING USES)	(\$17,118)	\$33,733	\$50,851
Fund Balance at 3/31/2003	\$108,256	\$108,256	\$
<b>FUND BALANCE MARCH 31,2004</b>	<b>\$91,138</b>	<b>\$141,989</b>	<b>\$50,851</b>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP  
REVENUES, EXPENDITURES  
AND COMPARISON WITH BUDGET

FUND TYPES  
March 31, 2004

<u>Special Revenue Fund</u>		Variance
<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
\$	\$	\$
6,473	9,193	2,720
2,128	1,825	(303)
	645	645
\$8,601	\$11,663	\$3,062
\$6,590	\$10,850	(\$4,260)
\$6,590	\$10,850	(\$4,260)
\$2,011	\$813	(\$1,198)
	(23,209)	(23,209)
\$2,011	(\$22,396)	(\$24,407)
\$45,891	\$45,891	\$
\$47,902	\$23,495	(\$24,407)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
RETAINED-EARNINGS (DEFICIT) - PROPRIETARY FUND TYPE  
STANNARD TOWNSHIP  
Years ended March 31, 2004 and 2003

	3/31/2004	3/31/2003
<b>Operating revenues:</b>		
Charges for services	\$33,755	\$35,288
<b>Total Operating Revenues</b>	<b>\$33,755</b>	<b>\$35,288</b>
<b>Operating expenses:</b>		
Personnel services	\$7,190	\$4,680
Purchase of services	12,129	3,174
Materials and supplies	1,199	1,211
Provision for depreciation/amortization	10,805	10,631
Insurance		27
Utilities	2,925	2,633
Transportation	696	136
<b>Total Operating Expenses</b>	<b>34,944</b>	<b>22,492</b>
<b>Administrative expenses:</b>		
Personal services	1,200	1,200
Purchase of services	2,272	1,800
Insurance	260	
Miscellaneous	302	163
Supplies	97	887
<b>Total Administrative Expenses</b>	<b>4,131</b>	<b>4,050</b>
<b>Total Operating Expenses</b>	<b>\$39,075</b>	<b>\$26,542</b>
<b>Operating income (loss)</b>	<b>(\$5,320)</b>	<b>\$8,746</b>
<b>Non operating revenues (expenses)</b>		
Interest income	1,280	1,376
Special assessment	3,771	4,860
Interest expense	(1,864)	(2,674)
<b>Net Income (loss)</b>	<b>(\$2,133)</b>	<b>\$12,308</b>
Add depreciation on government grants	5,924	5,934
<b>Increase (decrease)</b>	<b>\$3,791</b>	<b>\$18,242</b>
Retained Earnings March 31	94,441	76,199
<b>RETAINED EARNINGS (DEFICIT) –MARCH 31</b>	<b>\$98,232</b>	<b>\$94,441</b>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 STANNARD TOWNSHIP  
 Years ended March 31, 2004 and 2003

	3/31/2004	3/31/2003
Cash flows from operating activities:		
Income from operations	(\$5,320)	\$8,746
Adjustments to reconcile income from operations to net cash Provided by operating activities:		
Depreciation	\$10,805	\$10,631
(Increase) decrease in:		
Accounts receivable	(1,358)	(2,694)
Accrued interest income	31	295
Prepaid expenses	114	(111)
Due from other funds	(3,705)	
Increase (decrease) in:		
Accounts payable	8,194	45
Accrued payroll/taxes	701	125
Due to customers		(245)
Due to other funds	28,600	
Accrued interest payable	( 136)	(177)
Total adjustments	43,246	7,869
Net Cash Provided by Operating Activities	\$37,926	\$16,615
Cash flows from capital and related Financing activities:		
System improvements	(20,907)	
Principal payments on bonds	(8,000)	(17,000)
Interest paid on bonds	(1,864)	(2,673)
Special assessments	3,771	4,860
Interest income	1,280	1,376
Net cash provided (used) for capital and related financing activities	(\$25,720)	(\$13,437)
Net increase (decrease) in cash and cash equivalents	\$12,206	\$3,178
Cash and Cash Equivalents, 3/31	68,096	64,918
<b>Cash and Cash Equivalents, 3/31</b>	<b>\$80,302</b>	<b>\$68,096</b>

The accompanying notes are an integral part of the financial statements.

STANNARD TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

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==NOTE A - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES==

The Stannard Township operates under an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial reporting entity. The criteria established for determining the various governmental organizations to be included as component in the Township's financial statements include oversight responsibility, scope of public service, and special financing

On this basis, the financial statements of the local school district are not included as component units in the financial statement of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and components units that are controlled by or dependent on the Township's executive or legislative branches.

Basis of Presentation - Fund Accounting

The Township uses funds and account groups to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial-reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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Funds are classified into the following three categories.

### GOVERNMENTAL FUNDS

General Fund - is the general operating fund of the Township. This fund is used to account for all financial resources except those required to be accounted for in another fund. This fund includes general operating expenditures of the Township. Revenues are derived primarily from property taxes, state shared revenues and various local sources.

Special Revenue Fund - are used by the Township to account for the proceeds of specific revenue sources such as Fire, Building Inspections, Liquor Enforcement, Cemetery and Camp Fund monies that are legally restricted to expenditures for specific purposes. The Camp and Cemetery funds were closed during the fiscal year..

### PROPRIETARY FUNDS

Proprietary Funds - Sanitary Sewage Disposal System Fund - are used to account for waste water sewage system in a manner similar to private business enterprises, where the intent of the Township is that the expenses, including depreciation, of providing services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

### FIDUCIARY FUND TYPE

Agency Funds - are used to account for assets held by the Township in a trustee capacity or as an agent for other governments, and/or funds. These include the Trust and Agency and Tax collection funds. These funds are custodial in nature and do not involve measurement of results of operations.

### Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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Governmental Funds and the Agency Funds use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). Licenses and permits, charges for services and miscellaneous revenues are recorded as revenues when received in cash. General real property taxes and investment earnings are recorded when levied or earned (when they are measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations, which are recognized when paid.

Proprietary Fund uses the accrual basis of accounting and the flow of economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred.

### Budgets and the Budgetary Process

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Prior to April 1, the budget is legally enacted by the Township Board.
4. Any revisions to the budgeted amounts must be approved by the Township Board.
5. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
6. Budgeted amounts presented in the financial statements are as originally adopted.

All budget appropriations lapse at year end.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Basis of Accounting and Measurement Focus

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

### Receivables

Credit is extended to customers of the Enterprise Fund. All receivables are reported at their gross values. Delinquent accounts can be placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible and accordingly, there is no allowance for doubtful accounts.

### Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

### Inventories

Inventories of Governmental and Proprietary Funds operating supplies are considered to be immaterial and are not recognized.

### Due To and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

### Fixed Assets

Fixed assets are recorded as expenditures in the Governmental Type Fund at the time of purchase. The Township does not maintain a General Fixed Asset Group of Accounts as required by generally accepted accounting principles and Michigan Uniform Accounting Systems. Therefore, the enclosed financial statements do not contain a statement of general fixed assets as required.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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Property, plant and equipment acquired for the proprietary fund, capitalizes construction costs as fixed assets at the time the costs are incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Depreciation on assets acquired by grants externally restricted for capital construction is accounted for as a reduction of contributed capital rather than as an increase in retained-earnings deficit.

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Utility Plant	40 Years
Equipment	7-15 Years

### Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien of December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent tax rolls. The Township records real property taxes as revenue when levied and a corresponding receivable account established. The County advances the Township an amount equal to the delinquent real taxes turned over shortly after year end.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those amounts.

### Total Columns on Combined Financial Statements - Overview

The total column on the Combined Financial Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column do not present financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### Statement of Cash Flows

The Township's cash and cash equivalents are considered to be certificates of deposits, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

State statutes authorize the Township to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, banker's acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan.

All investments, if any, are stated at fair market value.

### Fund Equity

The unreserved undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Reserved fund balance for governmental funds represents that portion of fund equity which has been legally segregated for road work (\$18,242).

### Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts, and other commitments for future expenditures are not recorded.

### Interest Expense

Interests on bonded indebtedness are recorded as expenditure as interest is accrued.

### NOTE B – CASH AND INVESTMENT INFORMATION

The carrying amount of deposits is presented on the balance sheet as "Cash and Cash Equivalents".

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services; United States government or agency obligation repurchase agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The carrying amount of the Township's deposits with financial institutions was \$248,897 and \$12,205 collections pending deposit at year end. The bank balance is categorized as follows:

Amount insured by the FDIC or collateralized with securities held by the Township in its name	\$188,909
Checks issued and outstanding	(125)
Uncollateralized and uninsured	60,113
	-----
Total bank balance	<u>\$248,897</u>

The Township's deposits are in accordance with statutory authority.

Pension Trust Fund investments of \$16,195 were invested in accordance with State of Michigan statutes. Market value at March 31, 2004, was equal to carrying value. The investments are not subject to categorization of credit risk.

### NOTE C - ACCOUNTS RECEIVABLE

General Fund – generally consist of delinquent tax monies to be remitted to the Township after year end.

Proprietary Funds – customer unpaid balances. Delinquent account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible and accordingly, there is no allowance for doubtful accounts.

### NOTE D - SUMMARY OF 2003 TAX LEVY

Details of the Township's 2003 property tax levy are as follows:

	Tax <u>Levy</u>	Delinquent <u>Taxes</u>	Net <u>Collected</u>
County	\$231,686	\$51,115	\$180,571
School/SET	356,121	61,199	294,922
Township/ambulance	21,043	4,643	16,400
CFR	4,604	1,354	3,250
Delinquent utilities	5,011	1,109	3,902
Sewer Assessments	3,771	1,175	2,596
Totals	<u>\$622,236</u>	<u>\$120,595</u>	<u>\$501,641</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Taxable valuation - (excluding commercial forest  
reserve lands):

Real property	\$12,631,030
Personal property	<u>2,142,850</u>
	<u>\$14,773,880</u>

Tax rate per \$1,000 valuation:

Township	\$ 1.4448
County	15.9056
Schools	<u>33.212</u>
	<u>\$ 50.5624</u>

### NOTE E - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund:		General Fund:	
Due from Tax Fund	\$15,196	Due to Fire	\$ 709
Due from Sewer Fund	28,846	Tax Fund:	
Fire Fund:		Due to General	15,196
Due from General	709	Due to Sewer	3,705
Due from Sewer	249	Sewer Fund:	
Sewer Fund:		Due to Fire	249
Due from Tax Fund	3,705	Due to General	28,846
Totals	<u>\$48,705</u>	Totals	<u>\$48,705</u>

### NOTE F - LIQUOR LICENSE REBATES

Liquor license monies totaling \$1,825 were received during the year and were used to defray liquor law enforcement costs with the unexpended balance of monies transferred to the General Fund.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE G - UTILITY PLANT IN SERVICE

A summary of utility plant in service at March 31, 2004, follows:

	<u>3/31/2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/2004</u>	<u>Depreciable Life</u>
Land	\$2,000			\$2,000	
Utility Plant	408,885	\$20,906		429,791	40 Years
Equipment	11,055			11,055	7-15 Years
	421,940			\$442,846	
Accumulated Depreciation	(318,412)		\$10,805	(329,217)	
NET PLANT	\$103,528	\$20,906	\$10,805	\$113,629	

Depreciation Expense 2003/2004	<u>\$10,805</u>
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### NOTE H - ACCOUNTS PAYABLE

The General Fund account payables were for normal expenditures, whereas, Proprietary Fund accounts payable were for normal operating and repairs and maintenance at year end.

### NOTE I - REVENUE BONDS - PROPRIETARY FUND

The Township issued Revenue Bonds in 1972 in the amount of \$201,000 at an interest rate of 5%, payable semi-annually on July 1 and January 1. The bonds are payable solely from the revenues of the sewer system. As of March 31, 2004, the principal amount outstanding was \$32,000. The Township has made extra principal payments in prior years.

The Township principal debt retirement payable in future years are as follows:

\$8,000 January 1<sup>st</sup> of each of the years 2005 to 2007, inclusive;  
 \$9,000 January 1<sup>st</sup> of each of the years 2008 and 2009

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE J - CHANGES IN REVENUE BONDS DEBT

	Balance 3/31/2003	Additions (Payments)	Balance 3/31/2004
Revenue Bonds	<u>\$40,000</u>	<u>(\$8,000)</u>	<u>\$32,000</u>

### NOTE K - FUND BALANCE DESIGNATIONS

Reservations of fund balances represent amounts that are legally segregated for a specific purpose. Designations of fund balance represent monies restricted for future road repairs.

### NOTE L - CONTRIBUTIONS IN AID OF CONSTRUCTION

The Township has received Federal and State grant funding towards the development of their sewer system. These financial contributions are systematically recognized as a contra to the annual depreciation deduction over the life of the utility plant. Details are as follows:

State Grant Contributions	\$104,288
Federal Grant Contributions	<u>133,090</u>
	\$237,378
Accumulated deprec – Contra	<u>(190,276)</u>
Net Contributions	<u>\$47,102</u>

The Township prior audit reports reflected Township customer's annual sewer assessments as contributions in aid of construction and should have been recognized as income in the period received and should have been reported as part of retained earnings. The financial reports presented reflect this accounting reclassification in the equity section, which has increased retained earning by \$101,198 and decreased contributions in aid of construction by the same amount.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE M - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township provides sewage services. Segment information as of March 31, 2004, follows:

	Sewer Fund -----
Operating revenues	\$ 33,755
Depreciation expense	\$ 10,805
Operating income (loss)	(\$5,320)
Restrictive donations/grants	0
Operating transfers	0
Tax revenues	0
Increase (decrease) in	
Retained earnings	\$ 3,791
Current capital contributions	\$ 0
Increase (decrease) in	
Fixed assets	\$20,906
Long-term debt payable	
From operating revenues	\$ 0
Retained-earnings	
Unreserved (deficit)	\$98,232

### NOTE N - DEFINED CONTRIBUTION PENSION

The Township established a money purchase pension plan effective July 1, 1991, recognized by the Internal Revenue Service, for elected officials. The plan is administered by Township Clerk and provides immediate coverage for individuals age 18 and above. The Township makes timely contributions equal to twelve percent of the officer's salaries, which allows for immediately vesting. Loans are not permitted to the participants. The Township Supervisor and Clerk are authorized Trustees of the plan. Total pension expense and administrative fees were \$2,580 for the fiscal year ending March 31, 2004, whereas, the \$16,195 represents fair market value at year end. Additional information was not available for disclosure as required by GASB Statement No. 25.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE O - RISK MANAGEMENT

The Township is exposed to various risks of losses related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2004, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### NOTE P – SUBSEQUENT EVENTS

The Township has been successful in pursuing Department of Agriculture, Rural Development Authority, funding towards the purchase of a fire truck at a estimated cost of \$190,000. The Township has been notified that a loan commitment of \$150,000 and grant proceeds have been appropriated by Rural Development Authority. A special millage rate has been requested and approved by Stannard Township and another Townships' voters in providing adequate monies for future debt retirement payments. The ultimate purchase is progressing forward.

COMBINING AND  
INDIVIDUAL FUND  
FINANCIAL STATEMENTS

STANNARD TOWNSHIP

GENERAL FUND  
DETAIL OF REVENUES AND OTHER FINANCING SOURCES  
BUDGET AND ACTUAL  
Year ended March 31, 2004

<b>REVENUES</b>	<b><u>BUDGET</u></b>	<b><u>ACTUAL</u></b>	<b><u>VARIANCE</u></b>
Current property taxes	\$10,627	\$13,987	\$3,360
Delinquent property taxes	3,767	164	( 3,603)
Commercial forest reserve	243	741	498
Swamp taxes	20	20	
Tax administrative fees	7,430	8,254	824
Total taxes	\$22,087	\$23,166	\$1,079
State shared revenues	65,738	61,891	(3,847)
Federal shared revenues	9,280	13,018	3,738
Rents	2,767	4,650	1,883
Reimbursements	1,500	3,000	1,500
Sales	900	100	(800)
Miscellaneous	4,123	648	(3,475)
Interest income	1,676	1,130	(546)
TOTAL REVENUES	\$108,071	\$107,603	(\$468)
Other financing sources-		24,430	24,430
Transfer from other funds			
<b>TOTAL REVENUES AND OTHER FINANCING SOURCE</b>	<b>\$108,071</b>	<b>\$132,033</b>	<b>\$23,962</b>

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET  
STANNARD TOWNSHIP

Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>LEGISLATIVE</b>			
Township Board:			
Salaries		\$2,400	
Payroll taxes		1,263	
Pension		2,580	
Office supplies		259	
Postage		221	
Professional fees		675	
Printing and publications		3,174	
Insurance		5,997	
Miscellaneous		299	
Memberships		326	
<b>TOTAL LEGISLATIVE</b>	<b>\$24,623</b>	<b>\$17,194</b>	<b>\$7,429</b>
 Supervisor:			
Salary		\$4,200	
Transportation		8	
<b>TOTAL SUPERVISOR</b>	<b>\$4,825</b>	<b>\$4,208</b>	<b>\$617</b>
 <b>TOTAL ELECTION</b>	 <b>\$ 795</b>	 <b>\$141</b>	 <b>\$654</b>
 Clerk:			
Salary		\$6,600	
Supplies		552	
Professional fees		2,900	
Miscellaneous			
<b>TOTAL CLERK</b>	<b>\$9,075</b>	<b>\$10,052</b>	<b>(\$977)</b>

The accompanying notes are an integral part of the financial statements.

GENERAL FUND

DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET  
STANNARD TOWNSHIP

Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
TOTAL BOARD OF REVIEW	\$1,110	\$465	\$645
Treasurer:			
Salary		\$6,600	
Summer tax collection		588	
Office supplies		178	
Postage		1,073	
Transportation		23	
Miscellaneous		109	
TOTAL TREASURER	\$8,301	\$8,571	(\$270)
Assessor:			
Office supplies		\$632	
Transportation		425	
Contract costs		6,087	
TOTAL ASSESSOR	\$7,005	\$7,144	(\$139)
Township Property			
Wages		\$3,896	
Supplies		19	
Communications		864	
Utilities		1,426	
Repairs and maintenance		1,217	
TOTAL TOWN HALL	\$4,185	\$7,422	(\$3,237)

The accompanying notes are an integral part of the financial statements.

# GENERAL FUND

## DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET STANNARD TOWNSHIP

Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Cemetery:			
Contract costs		\$3,425	
Repairs		436	
Miscellaneous		272	
Equipment		2,699	
<b>TOTAL CEMETERY</b>	<b>\$9,220</b>	<b>\$6,832</b>	<b>\$2,388</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>\$44,516</b>	<b>\$44,835</b>	<b>(\$319)</b>
Public Safety:			
Fire:			
Contract costs		\$4,000	
Supplies		1,220	
Communications		259	
Training		3,105	
Insurance		720	
Utilities		2,654	
Repairs and maintenance		802	
Miscellaneous		1,025	
Equipment		1,540	
<b>TOTAL FIRE PROTECTION</b>	<b>\$14,900</b>	<b>\$15,325</b>	<b>(\$425)</b>
<b>ZONING BOARD</b>	<b>\$1,500</b>	<b>\$704</b>	<b>\$796</b>
<b>TOTAL PUBLIC SAFETY</b>	<b>\$16,400</b>	<b>\$16,029</b>	<b>\$371</b>

The accompanying notes are an integral part of the financial statements.

# GENERAL FUND

## DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET STANNARD TOWNSHIP

Year ended March 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
PUBLIC WORKS			
Streets and roads	\$20,200	\$7,318	\$12,882
Street lights	5,950	5,704	246
Solid waste	600	500	100
TOTAL PUBLIC WORKS	<u>\$26,750</u>	<u>\$13,522</u>	<u>\$13,228</u>
RECREATION AND CULTURE			
Parks:			
Supplies		\$63	
Utilities		1,223	
Repairs and maintenance		1,398	
Miscellaneous		315	
Equipment		2,500	
TOTAL RECREATION AND CULTURE	<u>\$12,900</u>	<u>\$5,499</u>	<u>\$7,401</u>

The accompanying notes are an integral part of the financial statements.

# COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS

## STANNARD TOWNSHIP

Year ended March 31, 2004

	<u>Cemetery Fund</u>	<u>Liquor Law Enforcement</u>	<u>Fire Fund</u>	<u>Building Inspections</u>	<u>Camp Fund</u>	<u>Totals</u>
<b>Assets:</b>						
Cash in bank	\$	\$	\$22,469	\$	\$	\$22,469
Due from other funds			958			958
Accrued interest income			68			68
Total Assets	\$	\$	\$23,495	\$	\$	\$23,495
<b>Liabilities &amp; Equity:</b>						
Accounts payable	\$	\$	\$	\$	\$	\$
Due to other funds						
Fund balance-unreserved			23,495			23,495
Total Equity & Liabilities	\$	\$	\$23,495	\$	\$	\$23,495

The accompanying notes are an integral part of the financial statements.



COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - SPECIAL REVENUE FUNDS

STANNARD TOWNSHIP

Year ended March 31, 2004

	<u>Cemetery Fund</u>	<u>Liquor Law Enforcement</u>	<u>Fire Fund</u>	<u>Building Inspections</u>	<u>Camp Fund</u>	<u>Total</u>
<b>Revenues:</b>						
State shared revenues		\$1,825				\$1,825
Interest income	\$67		\$434		\$144	645
Charges for services				\$8,537	656	9,193
Total revenues	<u>\$67</u>	<u>\$1,825</u>	<u>\$434</u>	<u>\$8,537</u>	<u>\$800</u>	<u>\$11,663</u>
<b>Expenditures:</b>						
Inspection costs				\$9,758		\$9,758
Liquor investigations		\$1,092				1,092
Total expenditures		<u>\$1,092</u>		<u>\$9,758</u>		<u>\$10,850</u>
Excess of revenue(loss) over expense	\$67	\$733	\$434	(\$1,221)	\$800	\$813
Transfer from (to) other funds	(10,382)	(733)		1,221	(13,315)	(23,209)
Fund Balance 3/31/2003	<u>\$10,315</u>	<u>\$</u>	<u>\$23,061</u>	<u>\$</u>	<u>\$12,515</u>	<u>\$45,891</u>
<b>Fund Balance 3/31/2004</b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$23,495</u></b>	<b><u>\$</u></b>	<b><u>\$</u></b>	<b><u>\$23,495</u></b>

The accompanying notes are an integral part of the financial statements.

# COMBINING BALANCE SHEET – FIDUCIARY FUNDS

## STANNARD TOWNSHIP

Year ended March 31, 2004

	Trust & Agency <u>Fund</u>	Tax Collection <u>Fund</u>	<u>Totals</u>
Assets-cash	\$	\$56,801	\$56,801
Liabilities:			
Due to Township	\$	\$18,901	\$18,901
Due to Others		37,900	37,900
	\$	\$56,801	\$56,801

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
TRUST & AGENCY FUND

STANNARD TOWNSHIP

Year ended March 31, 2004

	<u>Balance at</u> <u>March 31, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>March 31, 2004</u>
Assets-cash	\$513	\$	\$513	\$
Liabilities:				
Due to Township	\$513	\$	\$513	\$
Due to County				
Due to Individuals				
Due to others				
	\$513	\$	\$513	\$

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
TAX FUND

STANNARD TOWNSHIP

Year ended March 31, 2004

	<u>Balance at March 31, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at March 31, 2004</u>
Assets-cash	\$9,021	\$539,950	\$492,170	\$56,801
Liabilities:				
Due to Township	\$99	\$16,736	\$1,639	\$15,196
Due to Others	7,518	4,733	12,251	
Due to County		256,456	253,012	3,444
Due to Schools		242,267	223,608	18,659
Due to Ambulance	1,404	5,551	1,364	5,591
Due to Individuals		10,502	296	10,206
Due to Sewer Fund		3,705		3,705
	<u>\$9,021</u>	<u>\$539,950</u>	<u>\$492,170</u>	<u>\$56,801</u>

The accompanying notes are an integral part of the financial statements.

**Roger J. Kolehmainen PC CPA**  
1445 East Cloverland Drive  
Ironwood, MI 49938  
(906) 906-3600

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Supervisor and Members of the Board  
Stannard Township  
Bruce Crossing, MI

We audited the financial statements of Stannard Township as of and for the year ended March 31, 2004, and have issued our report thereon dated October 6, 2004. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Stannard Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit of the financial statements of Stannard Township for the year ended March 31, 2004, we considered the internal control structure in order to determine auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Stannard Township is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and

judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods are subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions noted in our review are as follows:

1. The Township did not compile a complete listing of general fixed assets to assure existence, condition and valuation required by Michigan Uniform Accounting System. The Township lacks knowledge as to all of its actual holdings.

The Township needs to establish an accurate general fixed assets listing; assure that proper valuation is assigned and are adequately insured against various types of losses.

2. The Township's Clerk needs to reconcile the various cash accounts in posting the general ledgers accounts of the General and Sewer Funds. Numerous differences were noted which required corrections and not permitting the audit to be timely completed.

The Clerk and Treasurer will need to coordinate the sharing of bank statements and cash receipts in reconciling their cash balances. Any discrepancies noted should be resolved in a timely manner.

3. The Township's Treasurer will need to make timely disbursements to various taxing units on tax monies collected. Furthermore, paid tax receipts should be marked when paid and deposit timely to allow for any potential discrepancies to be resolved in a timely manner. Final tax collection payments for 2003 were not remitted to appropriate taxing units until July 2004.

All tax monies collected on behalf of other taxing units should be paid in timely installments with the final payment being made in March. The tax account should only have a minimal balance pending the start of a new tax collection cycle.

4. Our audit effort identified payroll reports being prepared in error or not being prepared timely, filed and appropriate taxes paid as due. Apparently, no payroll training has been provided to the new Township Clerk since taking office.


The Township may want to secure adequate training for the Clerk in allowing for correct reports to be submitted and to make amendments to prior reports issued.

5. The Township's Fire Department fund raising activities pursued in the Township's name and other bank accounts will need to be included in the Township's annual audit unless a separate legal entity has been utilized and recognized as being eligible to receive such monies.

6. Prior Audit Reports contained the following items requiring correction.
  - a. Need to provide adequate security over Official Township Records. Current safe does not have a working locking mechanism.
  - b. Township had cash and checks on hand for long periods of time pending deposit. Monies should be deposited at least bi-weekly since adequate security is lacking.
  - c. The Township had cash and investments on deposit with a local banking institution that exceeded FDIC insurance coverage should a loss be experienced. The Treasurer should be instructed to research terms with other local banking institutions in reducing the risk element.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. We consider item 1 to be a material weakness.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.

  
Roger J. Kolehmainen PC  
Certified Public Accountant

October 6, 2004